State Employees' Credit Union

Administrative Offices

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM:
c/o Ms. Jennifer J. Johnson, Secretary
20th Street and Constitution Avenue NW
Washington DC 20551

October 25, 2011

RESPONSE TO PUBLIC COMMENT REQUEST
DOCKET No. R-1433 and RIN No. 7100 AD 83

Dear Ms. Johnson:

Thank you for requesting public comment on proposed amendments to **Regulation D, Reserve Requirements of Depository Institutions.** As stated in the request, "the proposed amendments are designed to reduce the administrative/operational costs associated with reserve requirements for both depository institutions and the Federal Reserve."

We believe the Federal Reserve should take this opportunity to make one simple, significant, additional change in Reg D which will greatly improve financial account management for the American consumer.

Specific reference is to §204.2(d)(1) in defining S*avings Deposits.* In this section **Regulation D limits the number of "convenient" transfers and withdrawals from savings accounts to not more than six per month.** This limitation on convenient transfers and withdrawals has existed, in one form or another, since 1982. According to Section 19 of the Federal Reserve Act, the Board must maintain the capacity to distinguish between transaction accounts and savings deposits for the purpose of imposing reserve requirements.

Due to technological advances, the ability for consumers to make payments and transfers online (internet), via telephonic means (phone calls and touch tone voice units), at point-of-sale terminals and through the Automated Clearing House (ACH) has become widely available. The increased use of these electronic, convenience channels has enabled financial institutions to maintain lower costs for delivery of financial services to consumers. The current Reg D "convenient transfer" limitation unnecessarily restricts consumers from being able to easily access their OWN funds for their OWN use. Reg D imposes an undue compliance burden and unnecessary financial costs on both institutions and consumers alike.

Financial institutions encourage consumers to use convenient services such as ATMs, internet, and voice response systems to facilitate cost efficient transfer of funds among consumer accounts. The current Reg D recognizes that transactions at ATMs are generally transfers among the depositor's own accounts and does not impose any convenience limitations on ATM transactions. Likewise, preauthorized transfers from a consumer's savings account to the consumer's loan account are not limited in any fashion.

Applying this same logic, the Board should **consider removing the limitations on internal transfers (payments and deposits) made by consumers among their own accounts within the same financial institution.** Transfers or payments to THIRD PARTIES would still be restricted and included within the limited transactions rule. The unnecessary burden of tracking HOW transfers by consumers are performed between and among their OWN accounts would be eliminated.

A proposed change in Reg D, requiring little more than a "strike through" in an existing regulatory phrase, is included as an attachment for your consideration. We believe that all institutions and all consumer accountholders will greatly welcome this simple regulatory adjustment.

Consider the rule change as "QE-4" – Qualitative Easing 4 the People!

Thank you again for the opportunity to comment on the proposed changes to Regulation D. We look forward to the Board's consideration of these changes to further reduce the administrative and operational costs associated with reserve requirements and the unnecessary limitation of consumer access to their OWN funds via convenient channels.

Sincerely,

Sue A. Douglas
Senior Vice President
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Reg D – Proposed Amendment
Consumer Flexibility Adjustment

SUMMARY: We propose including the following changes in the proposed amendment to Regulation D, §204.2(d)(2):

(2) The term "savings deposit" also means: A deposit or account, such as an account commonly known as a passbook savings account, a statement savings account, or as a money market deposit account (MMDA), that otherwise meets the requirements of §204.2(d)(1) and from which, under the terms of the deposit contract or by practice of the depository institution, the depositor is permitted or authorized to make no more than six transfers and withdrawals, or a combination of such transfers and withdrawals, per calendar month or statement cycle (or similar period) of at least four weeks, ~~to another account (including a transaction account) of the depositor at the same institution or~~ to a third party by means of a preauthorized or automatic transfer, or telephonic (including data transmission) agreement, order or instruction, or by check, draft, debit card, or similar order made by the depositor and payable to third parties. A preauthorized transfer includes any arrangement by the depository institution to pay a third party from the account of a depositor upon written or oral instruction (including an order received through an automated clearing house (ACH)) or any arrangement by a depository institution to pay a third party from the account of the depositor at a predetermined time or on a fixed schedule. Such an account is not a transaction account by virtue of an arrangement that permits transfers for the purpose of repaying loans and associated expenses at the same depository institution (as originator or servicer) or that permits transfers of funds from this account to another account of the same depositor at the same institution or permits withdrawals (payments directly to the depositor) from the account ~~when such transfers or withdrawals are made by mail, messenger, automated teller machine, or in person or when such withdrawals are made by telephone (via check mailed to the depositor)~~ regardless of the number of such transfers or withdrawals.[4]

[4] In order to ensure that no more than the permitted number of withdrawals or transfers are made, for an account to come within the definition of "savings deposit," a depository institution must either:

(a) Prevent withdrawals or transfers of funds from this account that are in excess of the limits established by paragraph (d)(2) of this section, or

(b) Adopt procedures to monitor those transfers on an ex post basis and contact customers who exceed the established limits on more than occasional basis. For customers who continue to violate those limits after they have been contacted by the depository institution, the depository institution must either close the account and place the funds in another account that the depositor is eligible to maintain or take away the transfer and draft capacities of the account. An account that authorizes withdrawals or transfers in excess of the permitted number is a transaction account regardless of whether the authorized number of transactions is actually made. For accounts described in paragraph (d)(2) of this section, the institution at its option may use, on a consistent basis, either the date on the check, draft, or similar item, or the date the item is paid in applying the limits imposed by that section.